

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 3613

INFO AMCONSUL MELBOURNE

CINCPAC HONOLULU

AMCONSUL AUCKLAND

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DEPARTMENT PASS DEPARTMENT OF LABOR

CINCPAC FOR POLAD

E.O. 11652: N/A

TAGS: ELAB, ECRP, NZ

SUBJECT: CERP 0005 - ANNUAL LABOR REPORT

SUMMARY - IN VIRTUALLY EVERY ASPECT OF NEW ZEALAND INDUSTRIAL RELATIONS, 1976 WAS A RECORD-BREAKING YEAR -- NEGATIVELY. THE TWELVE MONTHS OF 1976, COINCIDING WITH THE FIRST YEAR OF THE MULDOON-LED NATIONAL PARTY GOVERNMENT, WERE THE MOST TROUBLED IN LABOR RELATIONS IN THE LAST 25 YEARS. THEY SAW (A) THE MOST WORK STOPPAGES SINCE 1951; (B) THE HIGHEST NUMBER OF UNEMPLOYED SINCE THE 1930 DEPRESSION YEARS (BY US STANDARDS UNEMPLOYMENT CONTINUES AT A MINUSCULE LEVEL HOWEVER.); (C) THE LARGEST PER CAPITA DECREASE IN BOTH REAL AVERAGE WEEKLY EARNINGS AND GROSS DOMESTIC PRODUCT; (D) THE LARGEST NET

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EMIGRATION FROM NEW ZEALAND IN THIRTY YEARS INCLUDING AS ITS SINGLE BIGGEST COMPONENT CRAFTSMEN, LABORERS AND PRODUCTION WORKERS; (E) INDUSTRIAL LEGISLATION WHICH WAS PUNITIVE, CONFRONTATIONIST AND OFTEN UNCLEAR; AND (F) A POTENTIALLY SERIOUS SLIPPAGE IN THE LEADERSHIP OF THE TRADITIONALLY MODERATE TEAM OF TRADE UNIONISTS.

END SUMMARY.

INDUSTRIAL LEGISLATION:

THE NATIONAL GOVERNMENT LED BY PRIME MINISTER ROB MULDOON MUST ACCEPT MUCH OF THE BLAME FOR THE DIFFICULTIES, UPHEAVALS AND FRUSTRATIONS ON THE INDUSTRIAL RELATIONS SCENE IN 1976. NATIONAL DEFEATED LABOUR IN DECEMBER 1975 ON A PLATFORM WHICH PROMISED A NEW, MORE EFFECTIVE ECONOMIC POLICY, A CURTAILMENT OF INFLATION AND A TOUGHENING STANCE TOWARD TRADE UNIONISTS. BUT FOR THE FIRST SIX MONTHS OF 1976, GOVERNMENT PROCRASTINATED OVER THE FORM OF WAGE RESTRAINTS TO DAMPEN INFLATION. WHEN IT DID FORMULATE A POLICY -- VIRTUALLY A WAGE FREEZE -- IT WAS COUCHED IN SUCH INSCRUTABLE LANGUAGE THAT IT TOOK EMPLOYERS AND EMPLOYEES ALIKE UNTIL THE END OF THE YEAR TO OBTAIN A DEFINITION OF "EXCEPTIONAL CIRCUMSTANCES," THE GOVERNMENT'S SOLE JUSTIFICATION FOR WAGE INCREASES. THE RESULT WAS A SERIOUS LOSS OF CREDIBILITY AMONG TRADE UNIONISTS THAT THE POLICY OF ECONOMIC RESTRAINT COULD BE EQUITABLY APPLIED TO WAGE EARNERS. THUS, MANY EMPLOYERS EXPERIENCED A MARKED DETERIORATION OF THEIR INDUSTRIAL RELATIONS CLIMATE -- FREQUENTLY, WHERE GOOD RELATIONS HAD PREVIOUSLY EXISTED.

GOVERNMENT'S UNWILLINGNESS TO CLEARLY DEFINE ITS INTENTIONS SHOULD BE SEEN AS A DELIBERATE POLICY, HOWEVER. ONE LIMITED OFFICIAL USE

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OF PRIME MINISTER MULDOON'S MAJOR ECONOMIC OBJECTIVES IN 1976 WAS TO BRING TO A HALT WHAT HE SAW AS MASSIVE PUBLIC AND PRIVATE OVER-SPENDING, COUPLED WITH A LARGE BALANCE-OF-PAYMENTS DEFICIT UNDER THE PREVIOUS LABOUR GOVERNMENT. TO ACHIEVE THIS, HE CURTAILED THE RATE OF INCREASE IN PUBLIC SPENDING AND THROUGH WAGE RESTRAINTS AND THE HAZY FORMULATION OF "EXCEPTIONS" CLAUSES ACHIEVED SIMILAR CONSTRAINTS ON PRIVATE SPENDING. THE RESULT WAS A 2.0 PERCENT LOSS, IN REAL TERMS, OF AVERAGE WEEKLY EARNINGS AND A PER CAPITA LOSS, ALSO IN REAL TERMS, OF NEARLY 6.5 PERCENT IN GROSS DOMESTIC PRODUCT DURING 1976.

FRUSTRATED BY A CONTINUING HIGH RATE OF INFLATION AND AN APPARENT INABILITY TO OBTAIN COMPENSATING WAGE INCREASES, NEW ZEALAND TRADE UNIONS TURNED INCREASINGLY TOWARD THE USE OF "ROLLING STOPPAGES" AND "POLITICAL STRIKES" AIMED NOT SO MUCH AT THEIR EMPLOYER AS AT THE POLICIES OF THE NATIONAL GOVERNMENT. GOVERNMENT REACTED IN AUGUST WITH THE "INDUSTRIAL RELATIONS AMENDMENT ACT 1976 NO. 1" WHICH EXTENDED THE DEFINITION OF A STRIKE TO INCLUDE ALMOST EVERY FORM OF INDUSTRIAL ACTION THAT

RESULTED IN A REDUCTION IN NORMAL WORKER OUTPUT OR  
RATES OF WORK. IT ALSO PERMITTED THE IMMEDIATE  
SUSPENSION OF NON-STRIKING WORKERS BECAUSE OF THE  
UNAVAILABILITY OF WORK DUE TO A WORK STOPPAGE. (THE  
INTENDED EFFECT OF THE ACT WAS TO GIVE THE EMPLOYERS A  
POWERFUL TOOL TO BREAK THE SO-CALLED "ROLLING STRIKE" BY  
THE SUSPENSION OF NON-STRIKING WORKERS.)  
WITHIN DAYS OF THE ENACTMENT OF THIS LEGISLATION, THE  
NATIONAL PARTY GOVERNMENT WAS FACED WITH A SERIES OF  
"POLITICAL STRIKES" OF EVEN LARGER AND MORE DAMAGING  
PROPORTIONS AS WATERSIDERS FIRST IN WELLINGTON AND THEN  
AUCKLAND REFUSED TO WORK PORT TERMINALS DURING THE  
VISITS OF TWO AMERICAN NUCLEAR-POWERED WARSHIPS. IN

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AUCKLAND, THE CLOSURE WAS SERIOUS BUT NOT DISASTROUS.  
THE SHUT-DOWN IN WELLINGTON, HOWEVER, WAS COMPLETE,  
AND BOTH GOVERNMENT AND THE PUBLIC AT LARGE WERE ANGERED  
BY THE UNIONS' LACK OF CONCERN FOR THE "PUBLIC  
INTEREST" IN SEVERING ALL SURFACE COMMUNICATION BETWEEN  
THE NORTH AND SOUTH ISLANDS FOR A SIX DAY STRETCH.

AGAIN THE GOVERNMENT RESPONDED BY INTRODUCING LEGISLATION,

THIS TIME THE "INDUSTRIAL RELATIONS AMENDMENT ACT 1976 NO. 2." WHILE THE TWO CLAUSES IN THE BILL MOST OBNOXIOUS TO THE TRADE UNIONS -- RELATING TO SO-CALLED "NON-INDUSTRIAL" STOPPAGES AND STOPPAGES CONTRARY TO THE "PUBLIC INTEREST" -- WERE EVENTUALLY WITHDRAWN (ONLY TO REAPPEAR LATER IN THE YEUB IN THE COMMERCE AMENDMENT ACT), AMENDMENT NO. 2 RETAINED TWO PROVISIONS WHICH LIMITED OFFICIAL USE

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SEEMED TO LABOUR TO HAVE COME FROM THE NATIONAL PARTY'S UNION-BUSTING MOLD. FIRSTLY, IT PULLED FROM NATIONAL'S ELECTION MANIFESTO ITS PROMISE TO ORGANIZE GOVERNMENT-SUPERVISED BALLOTING OF ALL UNION MEMBERS TO DETERMINE THEIR PREFERENCE FOR OR REJECTION OF THE "UNQUALIFIED PREFERENCE" (UNION SHOP). SECONDLY, IT IMPOSED PENALTIES ON UNION OFFICERS AND MEMBERS FOR BREACHES OF CONTRACTS OR AGREEMENTS AND RE-INTRODUCED PENALTIES FOR STRIKES IN ESSENTIAL INDUSTRIES (E.G., EXPORT SLAUGHTERHOUSES). IT ADDITIONALLY OBLIGATED UNION LEADERS, IN ORDER TO ESCAPE A POSSIBLE PERSONAL PENALTY, TO ADVISE WORKERS THAT THEIR ACTIONS MIGHT BE IN BREACH OF AN AGREEMENT.

IT REMAINED FOR THE "COMMERCE AMENDMENT ACT OF 1976," HOWEVER, TO BECOME THE FINAL RESTING PLACE FOR THE TWO MOST POTENT PENAL PROVISIONS OF INDUSTRIAL LEGISLATION DURING 1976. THE FIRST PROVISION DEFINED STRIKES ON "NON-INDUSTRIAL" MATTERS AS ONE WHICH THE EMPLOYERS AND WORKERS INVOLVED DO NOT HAVE THE CAPACITY TO RESOLVE BY AGREEMENT BETWEEN THEM OR WHICH IS INTENDED TO COERCE THE GOVERNMENT OF NEW ZEALAND EITHER DIRECTLY OR BY INFLECTING INCONVENIENCE ON THE COMMUNITY (SUCH AS THE ANTI-NUCLEAR POWERED WARSHIP STRIKES). ITS PENAL PROVISIONS PERMITTED AFFECTED THIRD PARTIES TO BRING CIVIL SUITS AGAINST UNIONS (OR THE EMPLOYER) FOR DAMAGES SUFFERED AS THE RESULT OF THE STOPPAGE AND TO SEEK COURT INJUNCTIONS TO STOP OR TO PREVENT A THIRD PARTY LOSS. THE SECOND PENAL PROVISION ENABLED THE INDUSTRIAL COURT TO ORDER THE RESUMPTION OF WORK WHERE IT WAS SATISFIED THAT NEW ZEALAND'S ECONOMY OR THE LIFE, SAFETY OR HEALTH OF THE MEMBERS OF A COMMUNITY WAS ENDANGERED.

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A FINAL PIECE OF INDUSTRIAL LEGISLATION WHICH IS WORTHY

OF MENTION IS THE "EQUAL PAY AMENDMENT ACT." THIS BILL BECAME LAW IN NOVEMBER 1976 AND REQUIRED FULL EQUALITY FOR THE PAYMENT OF WOMEN EMPLOYEES BY APRIL 1977 AND EXTENDED THE PERIOD OF RECOVERY FOR EQUAL PAY FROM TWO TO SIX YEARS.

EMPLOYMENT:

IF THERE IS ONE ECONOMIC OCCURRENCE WHICH WILL DEFEAT AN INCUMBENT NEW ZEALAND GOVERNMENT -- OF ANY POLITICAL COMPLEXION -- FASTER THAN ANY OTHER, IT IS LIKELY TO BE A HIGH RATE OF UNEMPLOYMENT. ALTHOUGH BY US STANDARDS THE 1976 RATE OF UNEMPLOYMENT IN NEW ZEALAND WAS MINUSCULE (APPROXIMATELY ONE PERCENT), IT WAS NONETHELESS THE LARGEST SINCE THE DEPRESSION DAYS OF THE 1930'S AND SENT SHIVERS UP THE SPINE OF GOVERNMENT LEADERSHIP.

TO PREVENT UNEMPLOYMENT FROM RISING TO A DISASTROUSLY HIGH LEVEL, THE NATIONAL GOVERNMENT, LIKE LABOUR BEFORE IT, RESORTED TO BOTH LARGE GOVERNMENT BORROWINGS AND BALANCE-OF-PAYMENTS DEFICITS. (NATIONAL DID SUCCEED IN REDUCING THE SIZE OF BOTH IN 1976.) IN ADDITION, HOWEVER, NATIONAL EMBARKED ON A PROGRAM OF ACTIVELY DISCOURAGING IMMIGRATION TO NEW ZEALAND. THIS, COMBINED WITH A HEAVIER THAN NORMAL OUTFLOW, CAUSED A NET EMIGRATION LOSS FOR THE YEAR OF ABOUT 18,000, NEARLY 40 PERCENT OF WHOM WERE CRAFTSMEN, LABORERS AND PRODUCTION WORKERS. THROUGH SUCH POLICIES, AND AN INCREASED RECOURSE TO SPECIAL WORK PROGRAMS FOR THE UNEMPLOYED, THE MONTHLY AVERAGE OF REGISTERED UNEMPLOYED IN 1976 WAS HELD TO 5,350 OUT OF A TOTAL LABOR FORCE OF 1,277,000 A RATIO OF LESS THAN ONE-HALF PERCENT, BUT NONETHELESS A POST-DEPRESSION RECORD. (EVEN WITH THE LIMITED OFFICIAL USE

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SPECIAL WORK FORCE OF 6,170 ADDED, IT TOTALLED 11,520, LESS THAN ONE PERCENT.) ALTHOUGH ECONOMIC FORECASTS THROUGHOUT THE YEAR PRE-DICTED UNEMPLOYMENT LEVELS WOULD APPROACH 15-20,000, IT

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FM AMEMBASSY WELLINGTON  
TO SECSTATE WASHDC 3615  
INFO AMCONSUL MELBOURNE  
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DID NOT OCCUR AND SEEMS UNLIKELY TO HAPPEN IN 1977 --  
A TRIBUTE PERHAPS MORE TO NATIONAL'S AWARENESS OF POLITI-  
CAL REALITIES THAN TO ITS ECONOMIC PROGRAMS.

COLLECTIVE BARGAINING AND WAGES:

NEW ZEALAND HAS BEEN IN THE ZONE OF GALLOPING INFLATION  
SINCE 1973. IN JUNE 1976, THE THREE-YEAR RUN OF DOUBLE  
DIGIT INFLATION PEAKED AT 17.7 PERCENT, AND, AS COULD  
BE EXPECTED, NEW ZEALAND TRADE UNIONS SOUGHT  
FULL COMPENSATION FOR ITS IMPACT. BUT GOVERNMENT,  
CONCERNED THTHAT THE COMPENSATION ITSELF WOULD FURTHER  
STIMULATE INFLATION, CONTINUED EXISTING RESTRAINTS ON  
WAGES AND, AS NOTED IN THE LEGISLATIVE SECTION,  
ADDED NEW ONES.  
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UNDER THE PROVISIONS OF THE WAGE ADJUSTMENT REGULATIONS  
OF 1974 AN ACROSS-THE-BOARD COST OF LIVING ALLOWANCE OF  
SEVEN PERCENT (OR MAXIMUM OF \$7.00 PER WEEK) WAS  
PERMITTED IN JUNE 1976. FOLLOWING THAT, HOWEVER,  
MULDOON CLAMPED A VIRTUAL TWELVE-MONTH FREEZE (OTHER THAN  
FOR "EXCEPTIONAL CIRCUMSTANCES") ON ADDITIONAL WAGE  
INCREASES. AN ADDITIONAL ACROSS-THE-BOARD INCREASE OF  
SIX PERCENT WAS APPROVED BY THE WAGE HEARING TRIBUNALO

IN MARCH 1977 AND SEVERAL OF THE MORE POWERFUL, BETTER LED UNIONS WERE ABLE TO NEGOTIATE "EXCEPTIONAL CIRCUMSTANCE" INCREASES AVERAGING THREE PERCENT MORE. YET, IN 1976 AS IN 1975, REAL PERSONAL EARNINGS DECLINED IN THE FACE OF THE HIGH RATE OF INFLATION. WHILE THE EMPLOYERS MAINTAINED THAT NEW ZEALAND'S LIVING STANDARDS HAD BEEN PUSHED UP TO AN UNSUSTAINABLY HIGH LEVEL AND MUST COME DOWN, THE TRADE UNIONS CHAFED AT THE HARSH REALITY OF ITS WORKERS LIVING LESS WELL IN 1976 THAN THEY HAD IN 1975 OR 1974. UNDER SUCH CIRCUMSTANCES, IT IS UNLIKELY THAT A PROCESS OF FREE COLLECTIVE BARGAINING IS IN THE OFFING FOR AT LEAST ANOTHER TWO YEARS.

#### INDUSTRIAL DISPUTES:

NOT SINCE THE DAYS OF THE 1951 WATERFRONT STRIKE HAVE THERE BEEN AS MANY WORK STOPPAGES AND MAN-DAYS LOST AS IN 1976. DURING THE LAST HALF OF THE YEAR, THE NUMBER OF STRIKES INCREASED BY 70 PERCENT AND THE MAN-DAYS LOST ROSE BY MORE THAN 100 PERCENT OVER THE SIMILAR PERIOD IN 1975. YET THE MORE THAN 500 INDUSTRIAL STRIKES AND 400,000 MAN-DAYS LOST TELL ONLY PART OF THE STORY AS THE GOVERNMENT FAILED (OR REFUSED) TO RELEASE THE STATISTICAL TOTALS FOR THE SO-CALLED "POLITICAL STRIKES" IN PROTEST LIMITED OFFICIAL USE

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OF THE WAGE FIXING PROCEDURES, PROPOSED INDUSTRIAL LEGISLATION, AND THE AMERICAN NPW VISITS.

AS IN THE PAST, THE MORE MILITANT UNIONS WERE IN THE FRONT RANKS OF THE STOPPAGES, LED BY THE BOILERMAKERS (WHO HAD ANOTHER AFFILIATE DEREGISTERED), THE DRIVERS, STOREMEN AND PACKERS, COOKS AND STEWARDS, FREEZING WORKERS AND COACHWORKERS. THE MOST SERIOUS DISPUTES INVOLVED THE DELIVERY OF PETROLEUM BY THE DRIVERS, THE CLOSING OF THE EXPORT-SENSITIVE MEAT PACKING PLANTS BY THE FREEZING WORKERS AND THE CLOSURE OF AUCKLAND AND WELLINGTON HARBORS BY THE WATERSIDERS. GOVERNMENT-IMPOSED WAGE RESTRAINTS AND THE INDUSTRIAL LEGISLATION INTERPRETED BY THE UNIONS AS BEING "PUNITIVE" WERE THE TWO LARGEST CAUSES FOR THE STOPPAGES.

#### FEDERATION OF LABOUR (FOL):

1976 WAS A DIFFICULT YEAR FOR THE FOL LEADERSHIP AND 1977 HAS ALREADY SHAPED UP AS EVEN MORE DISTRESSING. SIR TOM SKINNER RETAINS A DOMINANT LEADERSHIP HAND AS PRESIDENT, BUT APPEARS TO HAVE LOST MUCH OF HIS INTEREST AND ENERGY. (SOME SAY THEY WERE LOST COINCIDENT WITH HIS KNIGHTHOOD.) ALTHOUGH MODERATES RETAINED FIRM

CONTROL OF THE NATIONAL EXECUTIVE AT THE 1976 FOL  
CONFERENCE, BY THE SECOND HALF OF THE YEAR CLEAR SIGNS  
OF MILITANT PRESSURE AND MILITANT SUCCESSES WERE BECOM-  
ING EVIDENT. FROM SKINNER'S OWN AUCKLAND BASE, ONE  
OF NEW ZEALAND'S LEADING COMMUNISTS, "BILL" ANDERSEN,  
TOGETHER WITH A FULL SLATE OF COMMUNISTS AND FAR-  
LEFTISTS, WRESTED CONTROL OF THE AUCKLAND TRADES  
COUNCIL FROM SIR TOM. LEADERSHIP OF THE CANTERBURY  
TRADES COUNCIL WENT TO A LEFTIST, WES CAMERON, AND  
THE PRESIDENCY OF THE WELLINGTON TRADES COUNCIL FELL TO  
A FORMER COMMUNIST (AND STILL FAR LEFTIST) PAT KELLY.

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SIR TOM CAME IN FOR SOME HARSH JIBES FOR OSTENSIBLY

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FM AMEMBASSY WELLINGTON

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INFO AMCONSUL MELBOURNE

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HAVING "GONE ALONG" WITH MULDOON ON THE "EXCEPTIONAL



CIRCUMSTANCES" LEGISLATION AND FOR ALLEGEDLY DRINKING AND RELAXING WITH THE PRIME MINISTER IN AUCKLAND. EVEN MEMBERS OF THE FOL EXECUTIVE PRIVATELY CRITICIZED SKINNER FOR HIS LACK OF FIRM LEADERSHIP AGAINST WHAT THEY PERCEIVED WAS A PERNICIOUS, ANTI-UNION ASSAULT BY THE NATIONAL GOVERNMENT.

BY THE MAY 1977 FOL ANNUAL CONFERENCE, THE TRUE EXTENT OF SKINNER'S LEADERSHIP SLIPPAGE HAD BECOME EVIDENT. TWO OF THE PREVIOUSLY ALL MODERATE SIX-MEMBER EXECUTIVE WERE DEFEATED BY AN AVOWED COMMUNIST AND SECRETARY OF THE WELLINGTON DRIVERS UNION AND WELLINGTON TRADES COUNCIL, KEN DOUGLAS, AND THE AFOREMENTIONED WES CAMERON. WORSE STILL, THE ELECTION OF CAMERON WAS TAINT-LIMITED OFFICIAL USE

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ED (TWICE) BY NOT-SO-WELL-DISGUISED BALLOT STUFFING BY THE LEFTIST UNIONS, AND SKINNER CHOSE TO COVER UP THE FACT.

SIR TOM STILL COMMANDS A MAJORITY OF THE EXECUTIVE. HE EXPECTS, AND UNTIL NOW HAS RECEIVED, LOYALTY FROM WITHIN THE TRADE UNION MOVEMENT FOR FOL EXECUTIVE DECISIONS. BUT THE COMMUNISTS AND FAR-LEFTISTS WERE PREPARED AT THE 1977 FOL ANNUAL CONFERENCE, KNEW WHAT THEY WANTED, WORKED HARD IN THE AISLES TO GET IT AND STAYED UNTIL THE LAST GAVEL DROPPED (GIVING THEM AN INFLUENCE IN THE LATTER STAGES OF THE CONFERENCE WELL OUT OF PROPORTION TO THEIR ACTUAL NUMBERS). THEY OUT-MANEUVERED THE MODERATES AND REAPED THE REWARDS. SIR TOM AND HIS BAND OF MIDDLE-OF-THE-ROADERS WILL HAVE TO DEMONSTRATE INCREASING EFFECTIVENESS IN DEALING WITH THE GOVERNMENT AND LIKELY AN ADDITIONAL MILITANCY WITH RESPECT TO INDUSTRIAL DISPUTES IF THEY ARE TO AVOID STILL FURTHER DEFEATS IN THE YEAR AHEAD. SELDEN

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